Future Financial

"More Combat Capability for the Dollar Spent"

FACT SHEET

What is Future Financials?

The Air Force requires a financial system that both enables our logistics business processes and operates within statutory and regulatory guidelines. Specifically, we seek a financial framework that facilitates, leverages, and enhances our reengineered logistics business processes by motivating and reinforcing desired behaviors to best support expeditionary operations, improving control over operating and support costs, and providing trace-ability of resources to outcome. Indeed, it becomes imperative that the centralized and integrated logistics approach developed under the auspice of Expeditionary Logistics for the 21st Century (eLog21) be mirrored in our collective financial approach. Our aim is to leverage our funding to maximize combat capability; this goal is best accomplished by providing financial data that is consistently reliable, timely, and useful to United States Air Force (USAF) commanders and managers across the Service.

What are the Future Financial goals?

Implement simple, understandable financial processes with fewer transactions and transparency to warfighter.

Establish financial processes that facilitate, leverage, and enhance our re-engineered logistics business process.

Provide effective and efficient asset accountability & cost visibility

Achieve compliance with requirements of the Chief Financial Officers (CFO) Act of 1990, Title 10 United States Code (USC) 2208, and other Federal Financial Management Requirements (FFMRs)

What is the Future Financial framework?

To address the deficiencies of our current system without regressing to the prior inadequate condition, we propose a centrally-managed approach for both provider (AFMC) and customer (MAJCOMs) funds, utilizing the WCF financing mechanism to enhance cost awareness and provide requisite flexibility.

On the provider side, the MSD and DMAG financial management operations will be merged. The merger will reduce the current seven (7) profit centers to four (4) cost centers and a single profit center, effectively aligning ALC financial goals with those of the Enterprise. Each ALC will become a cost center responsible for producing the Enterprise-determined requirement within a target cost per output. They will focus on what they can control—cost and output. In this simplified structure, MSD and DMAG will no longer recursively pass costs between each other through sales prior to establishing a price to the ultimate customer. Costs associated with the repair and supply processes will be assigned to output in a direct and meaningful way that enhances cost visibility, and the resulting ability to manage it. To simplify the reimbursement process and minimize transactions during execution, we will further investigate alternative billing schedules and credit return policy to align them with an Enterprise focus.

On the customer side, the Air Force will remove the burden of day-to-day financial management from the MAJCOMs opting, instead, to execute funds from an Enterprise perspective to provide greater funding flexibility that better coincides with broader operational needs in a dynamic eLog21 environment. The Air Force will realign DLR and Depot Purchased Equipment Maintenance (DPEM) funding from MAJCOM-specific accounts to a separate AF "Agent" OAC within the Enterprise structure. Current embedded coding will be used to maintain total cost, asset visibility, and ownership by weapons system, MAJCOM, mission, conflict, etc. The MAJCOMs will retain responsibility for executing the Enterprise plan; during the PPBE process, the MAJCOMs will directly and routinely interface with a "Sustainment Board," passing recommendations through the AF Agent, for day-to-day decision-making commensurate with Enterprise priorities. They will have a vested interest to do so; during execution, as previously mentioned, the MAJCOM dollars will be centrally paid to the provider organization. At the Wing level, financial transactions become transparent to the warfighter. Essentially, spares are considered "free issue." The Air Force organization that will manage the central support funds (i.e., the AF Agency) has not yet been determined; critically important is the understanding by all parties that the Agent will not "own" these funds but, instead, will be responsible and accountable to the Lead Commands and HAF for their execution. Our intent is to ensure all Enterprise resources satisfy our most critical corporate requirements.

The Future Financial path forward

The future financials path forward has three components: provider integration, customer integration, and education. Activities performed within these three components come together through a phased implementation approach that begins with foundation building through FY05, continues with Initial Operational Capability (IOC) in FY06, and reaches its end state with Final Operational Capability (FOC) in FY08.

In FY05, while we await approval of the action plan from the Air Force Chief of Staff and corresponding coordination with the Office of the Secretary of Defense, we can continue the education process with the Air Force corporate structure, the MAJCOMs, and our ALCs. The education process clearly articulates to our customers and our stakeholders that logistics transformation and the future financials piece of that transformation yields only positive benefits to the warfighter.

To move toward total provider integration, we began by laying the framework for a financial merger of MSD and DMAG during FY04. Next, we 1) transition to a cost focus for ALC reporting, 2) identify and perhaps implement system and process changes that eliminate billings between supply and maintenance, 3) develop a unified POM/BES package that accommodates centralized budgets in FY06 and also integrates supply and maintenance services, 4) implement command-level pricing for FY05, and 5) identify the CFO Act-compliant financial system architecture required to support the merged operating environment.

We expect IOC, that is, the ability to operate and execute a centralized program as a single entity (MSD/DMAG), in FY06. Successful IOC will consist of an integrated budget based on our new logistics business support model, single entity pricing, centralized repair decisions, and integrated operating authority and execution. FOC will be achieved with the Enterprise recognition of a fully integrated budget submission format for supporting the single entity, a fully integrated information technology (IT) support structure that includes a Joint Financial Management Improvement Program (JFMIP)-compliant Enterprise Resource Planning (ERP) financial system, and a fully integrated requirements determination process. FOC is anticipated in FY08.

The current Air Force financial management environment does not enable our eLog21 business processes, nor does it operate within statutory and regulatory guidelines. We have 'over-litigated' our WCF structure to the extent that its intended flexibility has been effectively eliminated. Our recommended future financials framework and path forward focuses on aligning financial management with the Enterprise-centric vision established under eLog21. By managing the provider and customer funds from an Enterprise perspective and utilizing a 'liberated' WCF financing mechanism, we will meet our established goals and bring real value to the warfighter executing the Air Force mission.

Interested in learning more?

For more information, we invite you to visit our website at:
https://www.my.af.mil
AF Home > AF Transformation Initiatives > eLog21